



DPA

A Publication of the Department of Personnel & Administration

2004 Medical Insurance Rates and Plans

		arrier	State			ubtotal		State		Total
Plans	Pr	emium	Co	ntribution	E	mployee	Ad	ministration	E	mployee
		Rates		in the first transfer of the first transfer		Cost		Fee		Cost
Anthem Liberty EPO										
Employee	\$	324.48	\$	156.06	\$	168.42	\$	3.30	\$	171.72
Employee +1	\$	648.94	\$	232.52	\$	416.42	\$	3.30	\$	419.72
Family	\$	908.50	\$	326.46	\$	582.04	\$	3.30	\$	585.34
Anthem Centennial PP	О									
Employee	\$	220.50	\$	156.06	\$	64.44	\$	3.30	\$	67.74
Employee +1	\$	441.02	\$	232.52	\$	208.50	\$	3.30	\$	211.80
Family	\$	617.46	\$	326.46	\$	291.00	\$	3.30	\$	294.30
Kaiser HMO										
Employee	\$	246.40	\$	156.06	\$	90.34	\$	3.30	\$	93.64
Employee +1	\$	492.78	\$	232.52	\$	260.26	\$	3.30	\$	263.56
Family	\$	689.90	\$	326.46	\$	363.44	\$	3.30	\$	366.74
San Luis Valley HMO										
Employee	\$	272.76	\$	156.06	\$	116.70	\$	3.30	\$	120.00
Employee +1	\$	545.50	\$	232.52	\$	312.98	\$	3.30	\$	316.28
Family	\$	764.02	\$	326.46	\$	437.56	\$	3.30	\$	440.86
PacifiCare HMO										
Employee	\$	393.70	\$	156.06	\$	237.64	\$	3.30	\$	240.94
Employee +1	\$	787.42	\$	232.52	\$	554.90	\$	3.30	\$	558.20
Family	\$	1,102.40	\$	326.46	\$	775.94	\$	3.30	\$	779.24

The table shows the monthly premiums of the 2004 health insurance plans. Total Employee Cost equals Carrier Premium Rates minus the State Contribution, plus the State Administration Fee. Rocky Mountain HMO is no longer available. A Q & A article explaining this change and other changes for 2004 is on page 5. Detailed benefit plan descriptions and additional Open Enrollment materials for 2004 will be posted in late September on the Benefits website www.colorado.gov/dpa/dhr and available for employees to review, print or download in preparation for this year's on-line open enrollment. DPA committed to a paperless, on-line open enrollment process for greater efficiency and to help with the current budget challenge.

CONSUMER HEALTH CHOICE

Be informed. You decide. Everyone benefits.

In the last issue of HealthLine, the DPA Employee Benefits unit introduced the Consumer Health Choice program – an integrated, three- to five-year program designed to inform employees about the direct link between wiser consumer healthcare choices and the bottom line costs of those choices.

One component of Consumer Health Choice is a concerted effort to move toward greater employee self-service tools. The goal is to create a complete system that allows employees to access their benefits options, get answers to typical questions, and manage benefits on-line, from anywhere, anytime. The first step in this process is this year's on-line open enrollment period.

On-line Open Enrollment

On-line open enrollment not only saves money and valuable time in data entry, it meets the goal of anywhere, anytime access to your benefits information for the open enrollment period.

NO printed open enrollment materials will be mailed to employees' homes this year. These materials will be available

on-line in late September at www.colorado.gov/dpa/dhr. This gives employees one month to review their options in preparation for the open enrollment period, which will run from October 20 through November 7. Employees who wish to print these materials can do so directly from the website. Prior to the open enrollment period, employees will receive a letter at their homes detailing how to access the on-line open enrollment site. The letter will also provide the necessary instructions to enroll.

The Employee Benefits unit will be working with departments' HR, payroll and benefits professionals to get all employees the information they need to make the choices that work best for them and their families. A comprehensive list of places that have public access to the Internet will also be made available for those employees who do not have Internet access from their work or home.

As with all transitions, some concern and possibly resistance is expected; however, employees have expressed overwhelming support for a paperless open enrollment process.



CLOSING THE GAP IN THE STATE CONTRIBUTION TO HEALTH BENEFITS

By Troy A. Eid Executive Director, DPA

Editor's Note: The following is the total-compensation recommendation letter sent to Governor Bill Owens and Joint Budget Committee Chair Dave Owen on August 1, 2003.

Dear Governor Owens and Senator Owen:

When Governor Owens appointed me to this position nearly two years ago, I pledged to work toward a goal that had not been achieved in the State of Colorado since 1994: To offer a competitive "total-compensation" salary, performance pay and health insurance benefits package to all Colorado state civil service employees. Thanks to the bi-partisan efforts of the General Assembly and the Governor in passing the Spradley-Arnold Total Compensation Reform Act (H.B. 1316) last session, I am pleased to present you with a total-compensation recommendation that keeps this promise.

The 2004 Total Compensation Survey identified a total cost of \$92.6 million for the State to match all prevailing practices with respect to health benefits and wage adjustments. However, after carefully considering the financial position of the State budget, I recommend that the General Assembly appropriate \$47.5 million (\$27 million for general government general funds) in new dollars to partially implement the FY 2004-2005 annual compensation survey findings. The enclosed total-compensation recommendation does three vitally important things:

First, the recommendation closes the gap between the State's health insurance program and what comparable public and private sector employers pay for their own employees' insurance. As you know, health insurance benefits for Colorado state employees have fallen farther and farther behind the market over the past decade - to the point where our State reportedly now ranks in the bottom one-third in the nation in the percentage of what the State pays toward the cost of its employees' insurance premiums. This is plainly unacceptable.

Indeed, had you and your colleagues not passed H.B. 1316, Colorado's percentage contribution would have fallen still further, to as low as 35 percent of the total cost in January 2005, which could cause Colorado to become the lowest of any state in the nation.

The recommendation enables the State of Colorado to come closer to achieving actual market parity with what comparable large Colorado employers pay for their employees' health insurance benefits by January 2006. Specifically, instead of paying as low as 49 percent of the total cost of our employees' health insurance premiums,

as Colorado does now, the recommendation boosts the State's contribution for employees' insurance premiums starting in January 2005 to up to 77 percent of the total cost. Beginning in January 2006, I plan to recommend increasing the State's contribution to employees' insurance premiums still further to 85 percent of the total cost, which is the current prevailing level among Colorado employers.

Of the total appropriation of \$47.5 million, DPA will allocate \$33.2 million to group health benefit contributions for employees within the state personnel system. The recommendation translates into an average monthly financial benefit beginning in January 2005 of approximately \$334, or an annual total financial benefit of \$4,008, for state employees enrolled in the family plan. Some examples:

Projected HLD Contributions Had H.B. 1316 <u>Not</u> Passed						
				2005 State		
			Weighted	Weighted		
		2005 State	Average	Average		
	2005 State	Contribution	Employee	Premium		
	Contribution	Percentage	Contribution	Cost		
Employee	\$180.88	46%	\$208.75	\$389.63		
Employee + 1	\$260.41	38%	\$417.49	\$677.89		
Family	\$358.10	35%	\$658.60	\$1,016.71		

Recommended HLD Contributions Now That H.B. 1316 Has Been Passed						
			Weighted	2005 State Weighted		
		2005 State	Average	Average		
	2005 State	Contribution	Employee	Premium		
	Contribution	Percentage	Contribution	Cost		
Employee	\$299.86	77%	\$89.77	\$389.63		
Employee + 1	\$498.92	74%	\$178.97	\$677.89		
Family	\$692.07	68%	\$324.64	\$1,016.71		

Dollar Value of Increased State Contribution Resulting from the Recommendations				
	Weighted Average Value to State Employees			
Employee	Monthly: \$118.98; Annual: \$1,427.76			
Employee + 1	Monthly: \$238.52; Annual: \$2,862.24			
Family	Monthly: \$333.96; Annual: \$4,007.52			

The State's current average 49 percent to 60 percent contribution levels lag the market significantly, as compared to 70 percent to 85 percent in the market. From calendar year 2002 to 2003, as a result of rising health care premiums, there was nearly a 10 percent drop in state employee health plan enrollment, or about 3,000 employees. As it stands now, Colorado has a large and growing number of state employees

who can no longer afford their financial portion of the heath care services required for their specific illnesses. The recommendation is intended to address this problem by making the State of Colorado more competitive as an employer in terms both of salary ranges and health benefits.

Second, the recommendation keeps faith on all employees' salaries by shifting salary ranges upward. DPA will allocate \$2.2 million of the total appropriation to this salary range adjustment. This means that no state employee will be paid lower than what the market survey of comparable public and private sector employers indicates. Despite challenging budget times, the recommendation ensures that Colorado's pay structure will keep pace with the market. If any employee falls below job-range minimum, his or her salary will be adjusted to the higher market level.

Third, the recommendation provides the basic funding to begin to make Colorado's performancebased pay system credible - as the Legislature originally intended when it passed the Performance Pay Act. The purpose of performance-based compensation is to recognize and motivate high-performing state employees who go above and beyond what their jobs require - not to insult them by "rewarding" them token pay awards. The State needs to do better by our employees - even in challenging budget times. The recommendation honors that commitment by refocusing salary increases that are specifically tied to individual employees' performance. DPA will allocate \$12.1 million to fund performance-based pay for This enables high-performing state state employees. employees to increase their take-home pay by substantial amounts as determined by their annual performance evaluations.

The objective is to provide that only high-performing employees (rated at levels three or four) are eligible for any performance pay increases. This will help ensure that limited performance pay dollars are not spread out among all employees, regardless of their performance ratings, and watered-down at the expense of higher achievers.

The recommendation has several implications:

1. It prioritizes health insurance benefits over individual employee salary and performance pay increases. This is in keeping with my personal commitment to the state workforce at more than 150 town-hall meetings and over the Internet. I recognize that some people will not like my recommendation, and I respect their position. But while by no means perfect, the recommendation does offer the greatest total economic benefit to state employees, especially those in lower-paying jobs. The following chart shows that lower-paid civil servants - the majority of our workforce - gain the most from the recommendation. But it also shows that all employees covered by the State's insurance plans will benefit:

Value to Emp	Value to Employee Employees as the Results of the Recommendations						
	Based on Percent of Average Wage						
	Average for	Average for	Average for	Average for			
	Employees	Employees	Employees	Employees			
	Earning	Earning	Earning	Earning			
	Less Than	Between	Between	More Than			
	\$25,000	\$25,000 - \$50,000	\$50,000 - \$75,000	\$75,000			
	Annually	Annually	Annually	Annually			
Employee	5.02%	2.94%	1.86%	1.27%			
Employee + 1	10.92%	6.25%	4.00%	2.72%			
Family	15.14%	8.50%	5.54%	3.78%			

2. Not every state employee will benefit directly from the health insurance recommendation, but most will. And each and every employee benefits indirectly. Today, roughly 67 percent of state employees are enrolled in one of the State's health insurance plans. Currently, more than 10,000 eligible employees are not covered under the State's plans. Colorado continues to rank low among all state governments in its insurance contribution (46th out of 47 reporting states for single plans and 39th among 44 reporting states for family plans, according to Workplace Economics, Inc.) and the top third in its average pay (U.S. Bureau of Labor Statistics). The recommendation enables Colorado to reach the prevailing health insurance premium contribution levels over the next two years - what the State pays each of us for our health insurance as our employer which will help to increase the number of state employees who are able to afford health insurance for themselves and their families. As noted above, record numbers of employees have dropped our health plans in recent years as our benefits have fallen well below competitive market levels.

Based on a statewide survey that DPA recently conducted on health insurance benefits, we expect many of those employees to return to the state plan as the State transitions to more competitive benefits. Still other employees who have never taken the State's insurance are expected to join. This incidentally will help the communities across Colorado, in urban, suburban and rural areas, that are currently providing medical services to uninsured State of Colorado employees.

- 3. The recommendation will also help the State attract and retain qualified employees a chronic problem for Colorado's state workforce as last month's Legislative Audit Committee report points out. This provides an indirect benefit to each and every state employee in the classified system as well as to the citizens of Colorado. All told, the recommendation anticipates that the total percentage of state employees enrolled in our health plans will rise to about 75 percent by January 2006 as the State transitions to market-competitive insurance benefits.
- 4. After filling the gap in the group-benefit plan contributions, the recommendation's next priority is to adjust the pay structure itself so

pay ranges remain competitive with the market. I

would allocate \$2.2 million (all funds) to adjust salaries for those employees whose salaries are below the new range minimums. It is critical that the pay structure remains competitive or the number of employees paid below prevailing wage will grow quickly and we will face severe recruitment and retention problems.

5. This is a recommendation for tough economic times. Once the State has closed the 10-year gap in offering competitive health insurance benefits to all employees - and as State revenues grow stronger - we strengthen our focus on further increasing individual performance-based salaries so that employees can move upward through the salary ranges. As discussed above, achieving prevailing state contributions for health insurance premiums will require two years of funding increases. Looking toward Fiscal Year 2007, DPA plans to concentrate more closely on performance-based salary adjustments for employees, including those for employees rated at level 2 (proficient) as well as providing increases for employees at the two high-performing levels.

The following table summarizes the costing for this \$47.5 million total allocation. According to statute, the new dollars allocated for the employees in the state personnel system cannot be used toward the group benefit contribution dollars for non-classified employees who, by statute, are eligible to participate in group plans. These non-classified eligible employees include the employees from the Judicial Department and the Legislature. The additional estimated cost for the non-classified group benefit item is about \$3.6

million.

Perhaps the greatest strength of H.B. 1316 is that it depends

Compensation Components - All Funds	Subtotal	General Government	Higher Education
Contributions to Group Benefit Plans	\$33,170,801	\$26,146,386	\$7,024,415
Salary Cost to Bring to New Range Minimums	\$2,190,216	\$1,983,588	\$206,628
Performance Awards	\$12,152,266	\$10,890,893	\$1,261,373
Total for Classified Employees Only	\$47,513,283	\$39,020,867	\$8,492,416

upon the collaboration between the legislative and executive branches of state government to meet our respective responsibilities to Colorado's remarkably talented and diverse workforce. I look forward to working with you in the months ahead as we enact Colorado's compensation policy, "to provide prevailing total compensation to officers and employees in the state personnel system to ensure the recruitment, motivation, and retention of a qualified and competent workforce." C.R.S. 24-50-104 (1)(a)(I). The entire DPAreport ispublished on the website Thanks again and best http://www.colorado.gov/dpa/. regards.

Respectfully yours,



Executive Director

"Q & A" continued from page 5

Q: How do flexible spending accounts (FSA) help save money and what is the minimum contribution?

A: Flexible Spending Accounts enable participants to leverage their out-of-pocket medical expenses with tax savings. An employee in a 28% tax bracket who lays out \$100 a month for prescription copays will have to earn \$138.89 in order to net the \$100 if he doesn't participate in an FSA. That same employee would save \$38.89 each month by participating in the Healthcare FSA. An employee may contribute up to \$6,000 per year to a Healthcare FSA and \$5,000 per year to a Dependent Care FSA. The minimum contribution is \$10 per month per account (up from \$5 per account if contributing to both). Employees who sign up for an FSA are committed for the entire year and should carefully plan their contribution amounts because unused contributions are forfeited at the end of the year.

Q: Do State employees help subsidize CoverColorado, the insurance for low income families?

A: Yes, however, HB 1163 repealed the section of the CoverColorado statute that required carriers to pass assessments for CoverColorado through to all Colorado policyholders as a lump assessment. As a result of the statutory change, the assessments for 2004 are now built into the monthly premiums of all fully insured plans in the State, not just those of State employees.

Q: What can I do if I simply cannot afford one of the State's plans?

A: The DPA Employee Benefits unit has gathered a list of options for State of Colorado employees and dependents who are unable to afford the current premiums. These options will be available on-line at the Benefits 2004 website at www.colorado.gov/dpa/dhr.

Q: I've seen lots of advertisements about good individual health plans with lower premiums. What about individual health care coverage?

A: Individual health plans may be a viable option for many individuals, particularly those who are self-employed. However, when considering your health insurance options, it is important to familiarize yourself with all aspects of the plan. Often plans with lower premiums have extremely high deductibles and require additional payments for benefits not included in the base plan. Not all plans include coverage for emergency care, ambulance service, pregnancy, long-term care, and more. Individual coverage requires an initial health risk assessment, which could result in the denial of coverage or an exclusion for pre-existing conditions. Consider all these factors to help ensure that you choose a health plan that can meet the needs of you and your family.

2004 GROUP BENEFIT PLANS QUESTIONS & ANSWERS

Q: Is there any good news for 2004?

A: The Legislature funded a 4.7% percent increase in the State contributions to the 2004 group benefit plans. Because dental rates remained the same and basic life insurance rates dropped slightly, more of this increase went into the contribution to health. The following chart shows the actual dollar increase to health plans.

	2003 State Contribution	2004 State Contribution
Employee	\$ 147.86	\$ 156.06
Employee + 1	\$ 220.90	\$ 232.52
Family	\$ 310.62	\$ 326.46

Q: Are there any other positive changes for 2004?

A: Yes. Effective January 1, 2004, the Group Term Life and AD&D coverage will be underwritten by Standard Insurance Company. Although the benefits are substantially the same as in the current basic life and optional life plans, there are a couple of noteworthy improvements:

- The plan includes a limited Portability of Insurance provision, meaning that an enrolled employee may take the group term coverage with him when he leaves employment.
- Disability Waiver of Premium will be automatically offered to disabled employees with State STD benefits, meaning such employees will no longer have to submit a formal application for waiver.
- Should you die, your Dependent Life Insurance coverage will continue free for five months.
- The new Certificate of Coverage will be available online for your review.

Q: Why is the Rocky Mountain HMO no longer offered?

A: In their 2004 renewal, Rocky Mountain HMO (RMHMO) eliminated 29 counties from their current service area. Our contract requires RMHMO to cover all Colorado counties. Since RMHMO's renewal did not comply with our Group Master Contract, we determined that it was in the best interests of both the State and RMHMO to terminate the contract.

Q: Are there any significant plan design changes for this year?

A: Kaiser is revising their prescription coverage from a 60-day to a 30-day supply. This change applies to their group business as a whole, not just the State's plan.

Anthem Blue Cross Blue Shield is adding a modified vision benefit to both the PPO and EPO plans. Anthem Vision Exam Plus includes a \$20 Exam Only Copay once every 12 months.

San Luis Valley HMO is introducing several changes in its copayment structure for prescription drugs, laboratory, x-

ray, durable medical equipment and oxygen. This change applies to their group business as a whole, not just the state plan. SLVHMO is launching its Chronic Disease Management Program with an initial focus on diabetes.

Q: You mentioned 'Disease Management' in the last *HealthLine*; can you explain this concept a little more?

A: The term "disease management" is applied to a variety of programs designed to improve the health and quality of life of people with chronic health conditions (e.g. diabetes, asthma, depression, pulmonary heart disease, low-back pain, and high-risk pregnancies), and to reduce the costs associated with avoidable complications that lead to emergency room visits and hospitalizations. These programs focus on improving patients' compliance with appropriate treatment and self-care strategies, and on coordinating services for people with multiple healthcare needs. Most programs involve assessing members' health status and educating patients and their doctors about the accepted standards of care.

Q: Why aren't there any other major changes this year?

A: Many employees, particularly those with specific health concerns and medical regimens, expressed the desire for limited changes this year. The Employee Benefits unit weighed the options in this year's proposals against employees' concerns, and decided that it would make more sense to go through a more aggressive RFP process next year. Some of the options being considered for next year include: designing contracts with a much greater emphasis on quality measures and reporting, and stiffer penalties, thus, holding carriers to higher standards of care; building more assertive disease management programs into all plans; and, self-funding one or more components of our plans, such as pharmacy benefits or mental health.

Q: What is the administration fee, and why has it gone up to \$3.30?

A: Just as the Division of Parks and Recreation or the Division of Motor Vehicles is cash funded and collects fees through licenses, so too is the State's Employee Benefits unit. The administration fee is set based on the budget of the cash funded Employee Benefits unit and projected enrollment numbers in the State's health plans. The budget of the Employee Benefits unit is relatively constant, but enrollment numbers are variable and have declined in recent years. The fee has gone up this year from \$2.90 to \$3.30, a forty cent net increase to employees. However, the actual increase is \$1.40 because in previous years one dollar of the fee funded the Colorado State Employee Assistance Program (C-SEAP). While C-SEAP is no longer funded through this fee, this year's increase accounts for the projected continuing decline in enrollment in the State's health plans.

"Q & A" continued on page 4

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or email the DPA Benefits Unit at:

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or call the Benefits Hotline at:

www.colorado.gov/dpa/dhr

2004 RATES AND PLANS INSIDE

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